

AMENDED IN ASSEMBLY JUNE 21, 2006

AMENDED IN SENATE MARCH 23, 2006

SENATE BILL

No. 1341

Introduced by Senator Cedillo

February 17, 2006

An act to amend Section 6363.3 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1341, as amended, Cedillo. Sales and use tax exemption: charitable thrift stores.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. The law provides various exemptions from this tax, including an exemption for retail items sold by thrift stores operated by nonprofit organizations, if the purpose of that thrift store is to obtain funding for medical, hospice, or social services provided to individuals with HIV disease or AIDS by the nonprofit organization. This exemption will be repealed January 1, 2007.

This bill would change the repeal date of the exemption to January 1, 2012, *and would require a thrift store claiming the tax exemption for retail items to have at least 75% of its net income derived from operations of the thrift store.*

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6363.3 of the Revenue and Taxation
2 Code is amended to read:

3 6363.3. (a) There are exempted from the taxes imposed by
4 this part, the gross receipts from the sale in this state of, and the
5 storage, use, or other consumption in this state of, used pieces of
6 clothing, household items, or other retail items sold by thrift
7 stores operated by a nonprofit organization if the purpose of that
8 thrift store is to obtain revenue for the funding of medical,
9 hospice, or social services to chronically ill individuals, and at
10 least 75 percent of ~~those net revenues~~ *the net income derived*
11 *from operations of the thrift store* are actually expended for the
12 purpose of providing medical, hospice, or social services to the
13 chronically ill.

14 (b) For purposes of this section, “nonprofit organization”
15 means an organization that provides medical, hospice, or social
16 services to individuals with a chronic, life-threatening illness, as
17 defined in subdivision (c) of Section 1568.01 of the Health and
18 Safety Code, and is exempt from taxation under Section 23701d.

19 (c) This section shall cease to be operative on January 1, 2012,
20 and as of that date is repealed.

21 SEC. 2. Notwithstanding Section 2230 of the Revenue and
22 Taxation Code, no appropriation is made by this act and the state
23 shall not reimburse any local agency for any sales and use tax
24 revenues lost by it under this act.

1 SEC. 3. This act provides for a tax levy within the meaning of
2 Article IV of the Constitution and shall go into immediate effect.

O